

Message Text

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SUBJ: PHILIPPINE AIRLINES FUEL PROBLEM

REF: MANILA 735

FOLLOWING IS TEXT OF AIDE-MEMOIRE HANDED TO
AMBASSADOR BY FOREIGN SECRETARY ROMULO JANUARY 23. QUOTE

AIDE MEMOIRE

SECRETARY CARLOS P. ROMULO CONVEYED TO AMBASSADOR
WILLIAM SULLIVAN THE FOLLOWING INFORMATION CONCERNING
THE FUEL PROBLEM OF PHILIPPINE AIR LINES IN GUAM,
HONOLULU AND SAN FRANCISCO:

THE UNITED STATES FEDERAL ENERGY OFFICE (FEO)
RECENTLY FORMULATED PETROLEUM ALLOCATION REGULATIONS
WHICH APPLY TO ALL U.S. DOMESTIC, INTERNATIONAL AS WELL
AS FOREIGN AIR CARRIERS. THESE REGULATIONS ADOPTED THE
YEAR 1972 AS THE BASE PERIOD FOR THE ALLOCATION OF
AVIATION FUEL. THE REGULATIONS PROVIDE THAT U.S. AND
FOREIGN AIR CARRIERS SHALL BE SUPPLIED AVIATION FUEL IN
1974 AT 95PERCENT OF THE AMOUNTS UPLIFTED IN THE CORRESPONDING
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MONTH IN 1972.

THE USE OF 1972 AS THE BASE PERIOD FOR THE ALLOCATION OF 1974 AVIATION FUEL IS EXTREMELY DISADVANTAGEOUS TO PHILIPPINE AIR LINES BECAUSE:

1. IN 1972 PAL PRINCIPALLY OPERATED THE DC8 SERIES 50 AIRCRAFT WHICH IS A LONG-RANGE, LOW-CAPACITY, LIGHT-FUEL-CONSUMER AIRPLANE WHICH CAN NEGOTIATE BETWEEN MANILA AND HONOLULU WITHOUT AN INTERMEDIATE STOP.

2. PAL'S LOADS IN 1972 WERE COMPARATIVELY LIGHT, INCREASING THE FREQUENCY OF NON-STOP SERVICE BETWEEN MANILA AND HONOLULU AND REDUCING FUEL REQUIREMENTS AT WAKE.

3. MARTIAL LAW WAS ESTABLISHED IN SEPTEMBER OF THAT YEAR WHICH RESTRICTED TRAVEL ABOARD BY PHILIPPINE RESIDENTS AND TEMPORARILY CAUSING A DECLINE OF INCOMING TRAFFIC FROM THE U.S.

AS A RESULT OF THESE OPERATING CONDITIONS, PAL'S FUEL UPLIFTS AT WAKE WERE RELATIVELY LIGHT IN 1972.

IN JUNE 1973 WAKE ISLAND WAS CLOSED TO COMMERCIAL CARRIERS COMPELLING PAL TO TRANSFER TO GUAM FOR REFUELLING PURPOSES WHEN NECESSARY. PAL'S FUEL ALLOCATION AT GUAM WAS INITIALLY ESTABLISHED BY MOBIL AT 133,33 U.S. GALLONS IN DECEMBER, BASED ENTIRELY ON ITS LOW FUEL UPLIFT AT WAKE IN 1972. UPON EXPLANATION OF PAL'S SITUATION TO MOBIL, ITS FUEL ALLOCATION WAS INCREASED TO 350,000 USG FOR THAT MONTH ONLY. IN JANUARY 1974, MOBIL AGAIN LIMITED PAL TO 150,000 USG OR APPROXIMATELY ONE-THIRD OF ITS NEEDS. ON 11 JANUARY 1974, PAL APPEALED TO THE HARDSHIP OFFICE OF THE FEO IN WASHINGTON, D.C., THROUGH ITS WASHINGTON COUNSEL BUT HAS SO FAR RECEIVED NO RESPONSE.

IN MAY 1973, PAL INCREASED THE USE OF DC8 SERIES 63 EQUIPMENT FOR TRANS-PACIFIC SERVICE. THIS IS A HIGHER CAPACITY BUT SHORT-RANGE AND HIGHER FUEL CONSUMING AIRPLANE. FURTHERMORE, AS A RESULT OF THE RELAXATION OF TRAVEL BY PHILIPPINE RESIDENTS, THE INCREASE IN THE NUMBER OF VISITORS AND TOURISTS AND THE "BALIKBAYAN" UNCLASSIFIED

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PROGRAM, PAL'S TRAFFIC GRADUALLY ROSE TO HIGHER LEVELS. THESE CIRCUMSTANCES REQUIRED FUEL STOPS AT GUAM MUCH MORE OFTEN THAN IN 1972.

MOBIL, PAL'S FUEL SUPPLIER IN GUAM, IS NOW HOLDING IT TO THE MINIMUM VOLUME OF FUEL NEGOTIATED PRIOR TO THE FUEL CRISIS WHICH WAS BASED ON THE LOW WAKE UPLIFTS IN 1972. UNDER PRESENT OPERATING CIRCUMSTANCES GUAM IS A KEY REFUELING STATION AND THE AVAILABILITY OF FUEL

AT THIS POINT IS VITAL FOR THE VIABILITY OF PAL'S PACIFIC ROUTE.

NON-DISCRIMINATION AS TO THE TREATMENT FOREIGN CARRIERS RECEIVED IN THE U.S. IN RELATION TO U.S. CARRIERS IS NOT ALL THAT THE FEO REGULATIONS CALL FOR. THERE IS THE MATTER OF RECIPROCITY THAT COULD BE OFFERED FOREIGN CARRIERS "TO ENCOURAGE RECIPROCAL, NON-DISCRIMINATORY ALLOCATION OF AVIATION FUEL" IN THE COUNTRIES WHICH U.S. CARRIERS SERVE.

FOUR MAJOR U.S. CARRIERS ARE ALLOWED TO SERVICE THE PHILIPPINES, NAMELY, PAN AMERICAN AND NORTHWEST WITH SCHEDULED PASSENGER/CARGO FLIGHTS PLUS TECHNICAL AND SPECIAL ALL-CARGO FLIGHTS AND CHARTERS VIA VARIOUS ROUTES BETWEEN THE U.S. AND THE PHILIPPINES; FLYING TIGERS, WITH SCHEDULED ALL-CARGO FLIGHTS AND TRANS INTERNATIONAL, WITH EXTENSIVE PASSENGER CHARTER SERVICES. ON THE OTHER HAND, ONLY ONE PHILIPPINE CARRIER IS SERVING THE U.S. OVER A SINGLE ROUTE, OFFERING CONSIDERABLY LESS CAPACITY. FURTHERMORE, NONE OF THE U.S. CARRIERS HAVE ENCOUNTERED ANY IMPEDIMENT IN THE PERFORMANCE OF THEIR SERVICES TO MANILA. THEY HAVE BEEN ENCOURAGED TO OPERATE WITH COMPLETE ASSURANCE OF FUEL AVAILABILITY. YET PAL WAS FORCED TO CANCEL ALL ITS PACIFIC CHARTER FLIGHTS LAST DECEMBER TO SUPPLEMENT ITS SCHEDULED SERVICES TO ACCOMMODATE "BALIKBAYAN" PASSENGERS DUE TO UNAVAILABILITY OF FUEL FOR SUCH EXTRA FLIGHTS.

WHILE IT IS TRUE THAT U.S. DOMESTIC CARRIERS HAVE BEEN EQUALLY RESTRICTED TO 90PERCENT OF THEIR 1972 UPLIFTS, THEY WERE ABLE TO DO SO WITHOUT MUCH LOSS OF REVENUE THROUGH MULTILATERAL FREQUENCY-REDUCTION AGREEMENTS, SANCTIONED BY THE U.S. CAB, WHICH INSURED THAT CAPACITY REDUCTIONS WERE CARRIED OUT PROPORTIONATELY SO AS TO ENABLE

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THE AIRLINES TO RETAIN THEIR RESPECTIVE SHARE OF THE MARKET. THIS HAD THE SALUTARY EFFECT OF INCREASING THEIR LOAD FACTORS RESULTING IN SUBSTANTIAL ECONOMIC BENEFIT FOR ALL. THE SAME ARRANGEMENT IS BEING ADOPTED IN THEIR ATLANTIC INTERNATIONAL SERVICES WITH SELECTED EUROPEAN AIRLINES. SUCH MEASURES ARE NOT FEASIBLE BETWEEN PAL AND THE U.S. CARRIERS DUE TO THE HIGH LOADS THE AIRLINES ARE NOW CARRYING AND THE ABSENCE OF EXCESS CAPACITY BETWEEN THE U.S. AND THE PHILIPPINES. THE ALTERNATIVE IS TO PERMIT U.S. CARRIERS TO CONTINUE UPLIFTING THEIR FUEL REQUIREMENTS IN THE PHILIPPINES PROVIDED THAT RECIPROCAL TREATMENTS IS GIVEN THE PHILIPPINE CARRIER IN THE U.S.

BEGINNING 18 JANUARY, ALL OF PAL'S TRANS-PACIFIC CARGO LOADS MUST BE LEFT BEHIND TO ACCOMMODATE ITS BOOKED PASSENGERS AT LEAST UNTIL 26 JANUARY 1974. BY

THEN, ALL FUEL BALANCES AT GUAM, HONOLULU AND SAN
FRANCISCO WILL HAVE BEEN EXHAUSTED.

MANILA, 23 JANUARY 1974. UNQUOTE
SULLIVAN

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